

## Message Text

CONFIDENTIAL

PAGE 01 PARIS 15793 01 OF 03 181451Z  
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SSO-00 NSCE-00 INRE-00 ICAE-00  
SP-02 AID-05 EB-08 TRSE-00 SS-15 STR-07 OMB-01  
CEA-01 L-03 H-01 PA-01 CIAE-00 COME-00 FRB-03  
INR-10 IO-13 NEA-11 NSAE-00 OPIC-03 LAB-04 SIL-01  
AGRE-00 OIC-02 /114 W  
-----018378 181501Z/53

O R 181440Z MAY 78

FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 1712  
INFO AMEMBASSY ANKARA IMMEDIATE  
AMEMBASSY BERN  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY THE HAGUE  
AMEMBASSY LONDON  
AMEMBASSY OTTAWA  
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 03 PARIS 15793

USOECD

E.O. 11652: N/A  
TAGS: EFIN, EAID, TU, OECD  
SUBJECT: RENEGOTIATION OF TURKEY'S EXTERNAL DEBT

REF: (A) STATE 115932, (B) PARIS 15169 (NOTAL)

1. SUMMARY: A MAY 17-18 MEETING OF THE OECD TURKISH  
CONSORTIUM REACHED AGREEMENT ON THE MANDATE ESTABLISH-  
ING A WORKING PARTY TO NEGOTIATE AND CONCLUDE AN  
AGREEMENT RENEGOTIATING TURKEY'S EXTERNAL DEBT. A  
SEPARATE MEETING OF THE CREDITOR COUNTRIES CHAIRED BY  
THE FRENCH HAS PRODUCED A BROAD CONSENSUS ON THE TYPE  
OF RESCHEDULING AGREEMENT WHICH WOULD BE DESIRABLE.

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PAGE 02 PARIS 15793 01 OF 03 181451Z

END SUMMARY.

2. MAY 17 MEETING OF THE TURKISH CONSORTIUM (CONTINUING BRIEFLY ON FOLLOWING DAY) CONSIDERED TURKEY'S  
OBJECTIONS TO THE APRIL 28 DRAFT MANDATE SETTING UP A  
GROUP TO RENEGOTIATE TURKEY'S DEBT. THE ONLY DIFFICULT  
PROBLEM WAS TURKEY'S INSISTENCE THAT THE MANDATE CON-

TAIN NO REFERENCE TO CREDITOR CLUB PROCEDURES. WHILE ALL CREDITORS INDICATED FLEXIBILITY, SOME -- PARTICULARLY THE FRENCH AND SWISS -- FELT IT ESSENTIAL TO RETAIN SUCH A REFERENCE. THE OECD SECRETARIAT PROPOSED A COMPROMISE -- ACCEPTED BY THE CREDITORS AND ACCEPTED ON AN AD REFERENDUM BASIS BY THE TURKISH DELEGATION -- WHICH WOULD DELETE THE REFERENCE TO CREDITOR CLUB PROCEDURES FROM THE MANDATE, BUT WOULD NOTE IN THE CONFIDENTIAL MINUTES OF THE MEETING THAT "IN THE DELIBERATIONS, THE WORKING GROUP SHALL BE GUIDED BY THE PROCEDURES ADOPTED BY CREDITOR CLUBS, INTRODUCING THOSE MODIFICATIONS TO THE PROCEDURES REQUIRED BY THE TURKISH SITUATION". THE TURKISH DELEGATION RECEIVED INSTRUCTIONS FROM ANKARA AUTHORIZING FINAL ACCEPTANCE OF THIS COMPROMISE AT OPENING OF BUSINESS MAY 18, AND THE WORKING GROUP ELECTED CAMDESSUS (FRANCE) AS CHAIRMAN AND INITIATED ITS DELIBERATIONS SHORTLY AFTERWARDS.

3. THE REVISED MANDATE SETTING UP A WORKING PARTY READS AS FOLLOWS:

BEGIN TEXT

THE MEMBERS OF THE CONSORTIUM,  
RECOGNISING TURKEY'S FOREIGN DEBT SITUATION AND  
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PAGE 03 PARIS 15793 01 OF 03 181451Z

ACUTE BALANCE-OF-PAYMENTS DIFFICULTIES;  
HAVING REGARD TO THE TURKISH AUTHORITIES' REQUEST TO THE OECD TO CONSIDER RESTRUCTURING THEIR FOREIGN DEBT;  
DECIDE:  
TO ESTABLISH A WORKING PARTY WITHIN THE CONSORTIUM, OPEN TO ALL MEMBER COUNTRIES OF THE OECD, UNDER THE CHAIRMANSHIP OF AN OECD MEMBER COUNTRY, TO CONSIDER TURKEY'S FOREIGN DEBT WITH THE OBJECTIVE OF NEGOTIATING AND CONCLUDING A MUTUALLY ACCEPTABLE AGREEMENT.

END TEXT

4. PRIOR TO THE MAY 17 CONSORTIUM MEETING, THE FRENCH

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PAGE 01 PARIS 15793 02 OF 03 181451Z

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AGRE-00 OIC-02 /114 W  
-----018381 181500Z/53

O R 181440Z MAY 78

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 1713

INFO AMEMBASSY ANKARA IMMEDIATE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

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C O N F I D E N T I A L SECTION 02 OF 03 PARIS 15793

USOECD

CHAIRED A MEETING OF CREDITOR COUNTRIES TO EXCHANGE VIEWS BOTH ON THE ISSUE OF THE MANDATE AND ON THE TYPE OF RESCHEDULING AGREEMENT ENVISIONED BY THE PARTICIPANTS. WHILE SOME DIFFERENCES REMAIN AMONG CREDITORS, A BROAD CONSENSUS HAS EMERGED ON THE TYPE OF AGREEMENT WHICH WOULD BE CONSIDERED DESIRABLE. AT LEAST AT THIS POINT, THE CREDITORS APPEAR HEADED TOWARDS THE TYPE OF AGREEMENT ENVISIONED IN OUR INTER-AGENCY DISCUSSIONS IN WASHINGTON LAST WEEK. COMMENTS ON SPECIFIC ASPECTS OF SUCH AN AGREEMENT FOLLOW:

A) CONSOLIDATION PERIOD: ALL CREDITORS FAVOR A SHORT CONSOLIDATION PERIOD. THE FRG AND UK BELIEVE WE SHOULD CONFIDENTIAL

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PAGE 02 PARIS 15793 02 OF 03 181451Z

ATTEMPT TO AVOID EXTENDING THE CONSOLIDATION PERIOD BEYOND 1978 MATURITIES. NO CREDITOR INDICATED A WILLINGNESS TO GO BEYOND A JUNE 30, 1979 CONSOLIDATION, WITH US DEL STATING THIS WAS OUTER LIMIT FOR USG.

LIKELY SCENARIO WILL BE INITIAL CREDITOR OFFER TO CONSOLIDATE THROUGH 1978, WITH CREDITOR WILLINGNESS TO FALL BACK TO JUNE 30, 1979 DATE (I.E., MATURITIES FALLING DUE THROUGH 6/30/79).

B) SHORT-TERM DEBT: A CONSENSUS HAS EMERGED THAT THE ECONOMIC REALITIES OF TURKISH SITUATION MAKE IT ESSENTIAL TO INCLUDE SHORT-TERM MATURITIES. FRENCH, WITH LARGE (\$40 MILLION) SHORT-TERM EXPOSURE, ARE HESITANT REGARDING PRECEDENT BUT HAVE INDICATED FLEXIBILITY ON THIS POINT. ONLY THE NETHERLANDS -- WHICH CLAIMS IT HAS NO LEGAL AUTHORITY TO CONSOLIDATE SHORT-TERM DEBT -- HAS DEFINITIVELY OPPOSED INCLUSION SHORT-TERM MATURITIES. LIKELY SCENARIO IS THE INCLUSION OF SHORT-TERM DEBT WITH EXPLANATION THAT THIS IS EXCEPTIONAL ACTION MADE NECESSARY BY UNIQUE TURKISH SITUATION.

C) INTEREST AND PRINCIPAL TERMS: CREDITORS APPEAR TO BE THINKING ABOUT TWO FORMULAS FOR REPAYMENT TERMS. FOR MATURITIES OF MORE THAN ONE YEAR: 2 OR 3 YEARS GRACE WITH 4 YEAR REPAYMENT PERIOD FOR TOTAL 6 OR 7 YEAR PACKAGE. FOR SHORTER TERM MATURITIES: 2 YEAR GRACE WITH 3 YEARS OF REPAYMENT FOR TOTAL OF 5 YEAR PACKAGE.

D) NON-GUARANTEED DEBT: THERE IS A CONSENSUS THAT NON-GUARANTEED DEBT CANNOT BE RESCHEDULED. HOWEVER, CREDITORS APPRECIATE THAT SIZE OF NON-GUARANTEED DEBT MAKES IT DIFFICULT TO IGNORE. LIKELY SCENARIO  
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PAGE 03 PARIS 15793 02 OF 03 181451Z

WOULD BE TO HAVE RESCHEDULING MINUTE INCLUDE A REFERENCE TO GOT COMMITMENT TO SEEK TO SETTLE NON-GUARANTEED DEBT, POSSIBLY ON TERMS COMPARABLE TO THOSE ACCORDED OFFICIAL DEBT.

5. BILATERAL CONTACTS BEGAN SUNDAY EVENING AT THE HOME OF CHARLES WOOTTON, OECD DEPUTY SECRETARY GENERAL. US DEL (MEISSNER) WAS ACCCOMPANIED BY RALPH KORP, USOECD MISSION. OTHERS PRESENT WERE ALFRED KUEHN, SECRETARY OF THE TURKISH CONSORTIUM AND MR. VURAL GUCSAVAS AND MRS. AYSEL OYKEN OF THE TURKISH MINISTRY

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PAGE 01 PARIS 15793 03 OF 03 181453Z

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C O N F I D E N T I A L SECTION 03 OF 03 PARIS 15793

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OF FINANCE. SUBSTANTIVE PORTION OF THE CONVERSATION CENTERED ON THE MANDATE OF THE DEBT GROUP. MEISSNER EXPLAINED THE U.S. POSITION OF FLEXIBILITY ON LANGUAGE BUT NOT ON SUBSTANCE. TURKS ALSO MADE AN APPEAL TO INCLUDE UNGUARANTEED COMMERCIAL CREDITS. MEISSNER EXPLAINED U.S. LEGAL LIMITATION AND SUGGESTED THIS ISSUE TO BE DISCUSSED BILATERALLY, ALTHOUGH IT MAY BE POSSIBLE TO DISCUSS THE ISSUE IN THE DEBT GROUP.

6. MEISSNER HAD DISCUSSION ON MONDAY WITH THE NETHERLANDS (MR. MEENG) AND THE FRENCH (MR. CAMDESSUS). THE PURPOSE OF THESE DISCUSSIONS WAS TO EXCHANGE POSITIONS AND PINPOINT AREAS OF FLEXIBILITY. DISCUSSIONS CONFIDENTIAL

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PAGE 02 PARIS 15793 03 OF 03 181453Z

WITH FRENCH AT INFORMAL MEETING AT FRENCH FINANCE MINISTRY ON WEDNESDAY MORNING INCLUDED SCENARIO FOR THE WEEK AND WHAT NEEDED TO BE ACCOMPLISHED. IT WAS ALSO SUGGESTED BY U.S. DEL THAT THE FOUR MAJOR CREDITORS MEET FOR A FRANK INTERCHANGE. THE FRENCH

OBLIGED BY HOSTING A LUNCH TO INCLUDE THE GERMAN AND ENGLISH. AGREEMENT WAS REACHED ON FRENCH CHAIRMANSHIP OF DEBT WORKING GROUP, ON THE "ELECTION" OF THE FRENCH CHAIR, ON THE SELECTION OF "FRIENDS OF THE CHAIR" FOR PURPOSES OF DRAFTING AND ON THE LACK OF ENTHUSIASM FOR A FINAL COMMUNIQUE OF THE CONSORTIUM AFTER THE WORKING PARTY HAS COMPLETED NEGOTIATIONS. ALL DELEGATIONS HAD REASONABLY CLOSE POSITIONS ON SUBSTANCE OF THE TURKISH DEBT RESCHEDULING.

7. COMMENTS: MAJOR PROBLEM IN THE DEBT RESCHEDULING WILL BE THE CONSOLIDATION PERIOD. THE GOT DESIRES 5 YEARS. MOST CREDITORS DESIRE NO MORE THAN 6 MONTHS (I.E., FROM DATE OF SIGNING TO DECEMBER 31, 1978).

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## Message Attributes

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**Draft Date:** 18 may 1978  
**Decaption Date:** 01 jan 1960  
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**Disposition Comment:** 25 YEAR REVIEW  
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**Status:** NATIVE  
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**To:** STATE  
**Type:** TE  
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